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FM AMEMBASSY SEOUL
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DEPT OF TREASURY WASHDC
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SUBJECT: MEDIA REACTION IN SEOUL

Subject: Media Reaction; Seoul

Global Economy: Financial Market Crisis

"Fed Cuts Rate to Zero to Fight a Deepening Recession"

Conservative Chosun Ilbo editorialized (12/18): "The Federal Reserve's decision (to cut its key interest rate to a record low range of between zero percent and 0.25%) is a radical measure that is tantamount to printing dollars and scattering them from helicopters. If it works well, the action could dramatically rescue the U.S. economy from a deepening recession. However, if the increased liquidity stokes inflation and weakens the dollar, it might prompt foreign investors to sell off their dollar assets en masse, putting an end to the long status of the dollar as the world's default currency. Furthermore, the Fed has now become the largest lender in the U.S. due to the financial crisis. This is the result of its bailouts of financial institutions and purchases of commercial paper (CP) to offer rescue measures. Even if the U.S. economy recovers, it is questionable whether the Fed will be able to handle the shock when it collects those loans."

Stephens